

**SOUTHEASTERN UTAH ASSOCIATION
OF LOCAL GOVERNMENTS
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

**SOUTHEASTERN UTAH ASSOCIATION
ASSOCIATION OF LOCAL GOVERNMENTS
BASIC FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Southeastern Utah Association of Local Governments
Price, Utah 84501

Ladies/Gentlemen:

We have audited the accompanying financial statements of the governmental activities, of Southeastern Utah Association of Local Governments as of and for the year ended June 30, 2006, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

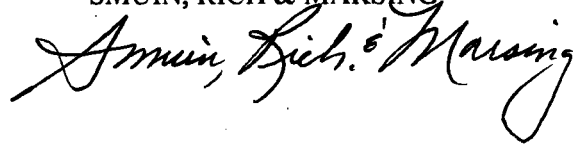
In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, of the Southeastern Utah Association of Local Governments as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Budgetary Comparison information, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2007 on our consideration of Southeastern Utah Association of Local Governments internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Southeastern Utah Association of Local Governments, taken as a whole. The combining and individual fund and schedules listed in the foregoing table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements of the Association. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. These financial statements and schedules are also the responsibility of the management of the Association. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Amuin, Rich. & Marsing". The signature is written in dark ink and is positioned below the printed name.

Price, Utah

January 26, 2007

**Southeastern Utah Association of Local Governments
Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2006**

The following is a discussion and analysis by the management of the Southeastern Utah Association of Local Governments' (SEUALG) financial performance for the fiscal year ending June 30, 2006. This discussion is presented for readers to review in conjunction with the financial statements and other information contained in this report.

SEUALG Background

The Southeastern Utah Association of Local Governments is a voluntary agency formed in 1970 under the Utah Interlocal Cooperation Act of 1965. The SEULAG was formed to provide regional planning and coordination of state and federal programs and grants across the southeastern Utah district, which consists of Carbon, Emery, Grand, and San Juan Counties. The SEUALG, while considered a government entity, has no regulatory authority, passes no laws, and does not set or collect taxes.

The governing board of the SEUALG consists of one county commissioner from each member county and one municipal elected official from each member county. County-level councils of governments decide which elected officials from each respective county will serve on the SEUALG board. SEUALG Board Officers are elected for a two-year term.

While the SEUALG must adhere to the same budgeting requirements as other public entities in Utah, the actual amount of funds the SEULAG receives is determined solely by the SEUALG's granting agencies. All the grants administered by the SEUALG are "categorical" and funds from each grant can be spent only on eligible activities as determined by the granting agency.

Financial Highlights

- The total assets of the SEUALG exceeded its liabilities as of June 30, 2006 by \$958,501. Of this amount, \$206,477 is unrestricted net assets that may be used to meet the government's ongoing obligations. In fact, a significant percentage of this fund balance provides the majority of the SEUALG operating capital.
- The SEUALG invests funds not needed for immediate operations, and not restricted by federal cash management regulations, in separate accounts with the Utah State Public Treasurer's Investment Fund or in savings accounts at local banks. Earnings from these investment and savings accounts for the fiscal period ending June 30, 2006 were:

BTAC	\$ 4,837
Revolving Loan Funds	16,028
Miscellaneous SEUALG Programs	<u>6,518</u>
Total	<u>\$ 27,383</u>

All other funds are held in the SEUALG general checking account.

- Capital asset (net of accumulated depreciation of the SEUALG were \$383,785 at June 30, 2006, which included buildings and equipment.
- Overall revenues decreased by \$668,825 and overall expenditures decreased \$797,212 for the period ending June 30, 2006. This decrease was due primarily to the completion of the one-time-only COPS grant, although the SEUALG experienced decreased funding for almost all of its federal grants.

SEUALG Revenue Summary

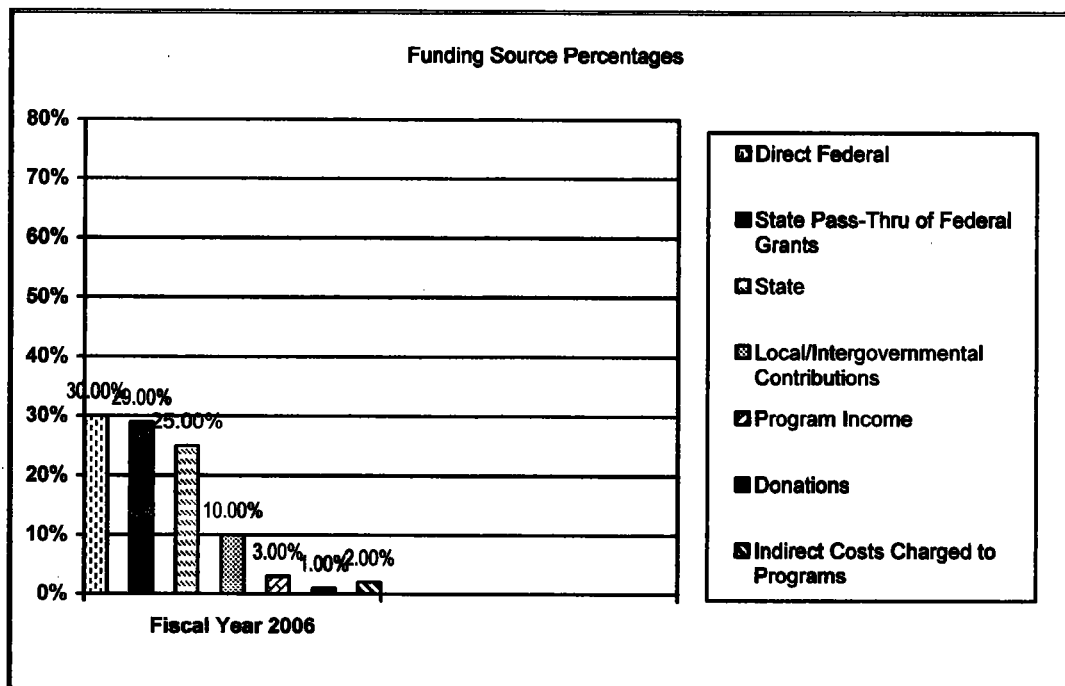


Figure 1

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction the SEUALG's basic financial statements. The SEUALG's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The governmental and fiduciary fund activities of the SEUALG for the fiscal year ending June 30, 2006 included:

Area Agency on Aging Programs

- In-home Services
- Medicaid Waiver Program
- Pass-thru funding for local senior citizen programs

Weatherization Programs

- DOE and LIHEAP Programs
- Group Workcamps Project (Navajo Reservation specific)
- UP&L and Questar special programs

Community Services Programs

- USDAA Child Nutrition
- Emergency Child Nutrition Program
- Operation of District Food Banks
- Emergency Assistance Programs

Utility Assistance Programs (H.E.A.T)

- Regular utility assistance
- Emergency/Crisis funds

Economic Development Programs

- Economic Development Planning
- Business Development and Technical Assistance
- Procurement Contracting Technical Assistance

Community Development Block Grant and Housing Rehabilitation Programs

- Technical Assistance for community needs assessments and grant application
- Technical Assistance for grant management
- Minor and major housing rehabilitation

One-Time Funding

- Department of Justice COPS Program
- Eastern Utah Television TV & Technology Program

Fiduciary Funds

- Revolving Loan Fund Programs
- Business Incubation (Southeastern Utah Business and Technical Assistance Center)

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the SEUALG's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the SEUALG, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the SEUALG is improving or deteriorating.

The *statement of activities* presents revenue and expense information showing how the SEUALG's net assets changed during the fiscal year ending June 30, 2006. All activities and changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. In this way, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave, comp-time, and sick leave).

The government-wide financial statements of the SEUALG are reported as governmental activities. Governmental activities include central administration, management/operation of the Area Agency on Aging, community and social services, community, housing and economic development, interlocal planning and coordination, and weatherization. State and federal grants are the finance basis for these activities. Contributions from SEUALG member governments, donations, project income, and fees for services provide required matching funds and gap funding.

Fund Financial Statements

A *fund* is a group of related accounts that is used to track and maintain resources that have been segregated for specific activities. The SEUALG uses fund balance accounting to demonstrate compliance with financially related legal requirements along with budgetary and grant specific requirements and restrictions. The SEUALG maintains only governmental and fiduciary funds.

1) **Governmental Funds** are used to account for essentially the same functions reported as *governmental activities* in the *government-wide financial statements*. However, governmental funds statements emphasize near-term inflows and outflows of spendable resources, as well as the balances of spendable resources (fund balances) available at the end of the year. Such information may be useful in evaluating the SEUALG's near-term financing requirements.

Because the focus of *governmental funds* is narrower than that of the *government-wide financial statements*, it is useful to compare the *governmental funds* information with the information detailed for *governmental activities* in the *government-wide financial statements*. Reconciliation between the *governmental funds* and the *government-wide financial statements* is necessary to understand how the information presented differs. The SEUALG maintains one governmental fund, which is the General Fund.

General Fund

The General Fund is the primary operating fund of the SEUALG. Revenues from grants, intergovernmental contributions, program income, fees for services, donations, and all other sources are accounted for in this fund. Expenditures for program operation and SEUALG administrative costs are also accounting for in the General Fund.

Fiduciary Funds

Trust and Agency Funds - The SEUALG acts as the manager and fiscal agent for the independent non-profit Southeastern Utah Business and Technical Assistance Center (BTAC). The activities of this agency are accounted for in a separate trust fund and in the same manner as enterprise funds.

Nonexpendable Trust Funds - The Revolving Loan Fund Program was created by the SEUALG almost fifteen years ago with grant monies from various federal sources to provide gap financing for qualified businesses in the southeast district. The funds in the Revolving Loan Fund portfolio are accounted for individually depending on the original funding source and are included in the SEUALG's basic financial statements as nonexpendable trust funds.

Financial Analysis (Government/Agency-wide)

An analysis of SEUALG's net assets, may serve over time, as a useful indicator of the organization's financial position. In the case of the SEUALG, assets exceeded liabilities by \$958,501 as of June 30, 2006. We have made a comparison of the past two fiscal years of net assets.

Table 1
Net Assets

	<u>Governmental Activities June 30, 2006</u>	<u>Governmental Activities June 30, 2005</u>
Current and other assets	\$ 675,226	\$ 666,552
Capital assets	<u>383,785</u>	<u>395,209</u>
Total assets	<u>\$ 1,059,011</u>	<u>\$ 1,061,761</u>
Long-term debt outstanding	\$ 58,899	\$ 60,759
Other liabilities	<u>41,611</u>	<u>91,042</u>
Total liabilities	<u>\$ 100,510</u>	<u>\$ 151,801</u>
Net assets:		
Investment in capital assets, net of related debt	\$ 383,785	\$ 395,209
Restricted	368,239	320,155
Unrestricted	<u>206,477</u>	<u>194,596</u>
Total net assets	<u><u>\$ 958,501</u></u>	<u><u>\$ 909,960</u></u>

Governmental Activities Analysis

A comparison of this fiscal year's activities with the previous year's activity is represented in Table 2 below

Table 2
Change in Net Assets

	Governmental Activities <u>June 30, 2006</u>	Governmental Activities <u>June 30, 2005</u>
Revenues		
Program Revenues:		
Charges for services	\$ 137,026	\$ 143,418
Operating grants and contributions	2,513,865	3,180,438
General Revenues:		
Other general revenues	<u>19,501</u>	<u>12,642</u>
Total revenues	<u>\$ 2,670,392</u>	<u>\$ 3,336,498</u>
Program expenses		
General government	\$ 126,401	\$ 152,393
Public safety	168,643	702,486
Public health	2,075,469	2,193,853
Economic development	<u>251,338</u>	<u>367,612</u>
Total expenses	<u>\$ 2,621,851</u>	<u>\$ 3,416,344</u>
Excess (deficiency) before transfers	<u>\$ 48,541</u>	<u>\$ (79,846)</u>
Change in net assets	<u>\$ 48,541</u>	<u>\$ (79,846)</u>
Net assets - beginning	\$ 909,960	\$ 989,806
Net assets - ending	<u>958,501</u>	<u>909,960</u>
	<u>\$ 48,541</u>	<u>\$ (79,846)</u>

Capital Assets

The SEUALG's threshold for reporting and tracking capital assets is \$5,000. In order to comply with various grant and contract requirements, the SEUALG also tracks all equipment, computer, and software purchases over \$200. However, these expenditures are not accounted for in the Capital Asset Account. The SEUALG's investment in capital assets net of accumulated depreciation as of June 30, 2006 was \$383,785.

Table 3
Capital Assets (Depreciated)

	Balance June 30, 2005	Additions	Transfers, Adjustments and Retirements	Balance June 30, 2006
Buildings	\$ 296,304		\$ (8,405)	\$ 287,899
Equipment and vehicles	98,905	\$ 17,997	(21,016)	95,886
Total	<u>\$ 395,209</u>	<u>\$ 17,997</u>	<u>\$ (29,421)</u>	<u>\$ 383,785</u>

During the fiscal period ending June 30, 2006 the SEUALG purchased a Chevrolet Silverado pick up truck for the Weatherization Program.

Long Term Debt

The SEULAG carries two long-term debt obligations. The primary obligation is to the Olene Walker Housing Loan Fund. Funds in the amount of \$35,000.00 were originally loaned to the SEUALG to cover the cash requirements for the District's housing rehabilitation program. Unneeded funds are kept on deposit at the Public Treasurer's Fund and interest payments accrue to the housing rehabilitation program. These funds will be returned to the State of Utah if/when the housing rehabilitation program is terminated.

The second long term debt obligation is for compensated absences in the amount of \$23,899.

Request for Information

This financial report is designed to provide interested parties with a general overview of the SEULAG's financial status and to demonstrate the SEUALG's accountability for the state, federal, and local funding it received. Question concerning any of the reports and information contained in this financial audit, and requests for additional information, should be addressed to the Southeastern Utah Association of Local Governments, Executive Director, 375 S. Carbon Ave. (P.O. Box 1106), Price, UT 84501.

**SOUTHEASTERN UTAH ASSOCIATION
OF LOCAL GOVERNMENTS
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
 <u>ASSETS</u>	
Cash and cash equivalents	\$ 163,444
Investments, at cost	113,736
Due from other governmental units	351,101
Prepaid expenses	46,945
Capital assets (net of accumulated depreciation):	
Buildings	287,899
Equipment	95,886
	<hr/>
Total assets	\$ 1,059,011
 <u>LIABILITIES</u>	
Accounts payable	\$ 41,611
Noncurrent liabilities:	
Note payable - Due in more than one year	35,000
Compensated absences	23,899
	<hr/>
Total liabilities	\$ 100,510
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	\$ 383,785
Restricted	368,239
Unrestricted	206,477
	<hr/>
Total net assets	\$ 958,501

"The notes to the financial statements are an integral part of this statement."

**SOUTHEASTERN UTAH ASSOCIATION
OF LOCAL GOVERNMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	TOTAL
FUNCTION/PROGRAMS						
Primary government:						
Governmental activities:						
General government	\$ 126,401		\$ 153,769		\$ 27,368	\$ 27,368
Public safety	168,643		186,640		17,997	17,997
Public health	2,075,469	\$ 137,026	1,949,823		11,380	11,380
Economic development	251,338		223,633		(27,705)	(27,705)
Total governmental activities	\$ 2,621,851	\$ 137,026	\$ 2,513,865	\$...	\$ 29,040	\$ 29,040
Total primary government	\$ 2,621,851	\$ 137,026	\$ 2,513,865	\$...	\$ 29,040	\$ 29,040
General revenues:						
Unrestricted investment earnings					\$ 6,518	\$ 6,518
Miscellaneous					12,983	12,983
Total general revenues and transfers					\$ 19,501	\$ 19,501
Change in net assets						
Net assets - beginning					\$ 48,541	\$ 48,541
Net assets - ending					909,960	909,960
					\$ 958,501	\$ 958,501

"The notes to the financial statements are an integral part of this statement."

**SOUTHEASTERN UTAH ASSOCIATION
 OF LOCAL GOVERNMENTS
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006**

	<u>GENERAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>		
Cash	\$ 163,444	\$ 163,444
Investments at cost	113,736	113,736
Due from other governmental units	351,101	351,101
Prepaid expenses	46,945	46,945
Total assets	<u>\$ 675,226</u>	<u>\$ 675,226</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	<u>\$ 41,611</u>	<u>\$ 41,611</u>
Total liabilities	<u>\$ 41,611</u>	<u>\$ 41,611</u>
Fund balances:		
Reserved	\$ 368,239	\$ 368,239
Unreserved, reported in:		
General fund	<u>265,376</u>	<u>265,376</u>
Total fund balances	<u>\$ 633,615</u>	<u>\$ 633,615</u>
Total liabilities and fund balances	<u>\$ 675,226</u>	<u>\$ 675,226</u>

"The notes to the financial statements are an integral part of this statement."

**SOUTHEASTERN UTAH ASSOCIATION
 OF LOCAL GOVERNMENTS
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Total fund balances - governmental fund types: \$ 633,615

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Buildings	\$ 287,899	
Equipment	<u>95,886</u>	383,785

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Capital lease payable - within more than one year	\$ (35,000)	
Compensated absences	<u>(23,899)</u>	<u>(58,899)</u>

Net assets of governmental activities \$ 958,501

"The notes to the financial statements are an integral part of this statement."

**SOUTHEASTERN UTAH ASSOCIATION
OF LOCAL GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>GENERAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:		
Intergovernmental	\$ 2,490,896	\$ 2,490,896
Charges for services	114,995	114,995
Miscellaneous revenue	64,501	64,501
	<u>2,670,392</u>	<u>2,670,392</u>
Total revenues	\$ 2,670,392	\$ 2,670,392
EXPENDITURES:		
Current:		
General government	\$ 125,204	\$ 125,204
Public safety	186,640	186,640
Public health	2,057,175	2,057,175
Economic development	243,268	243,268
	<u>2,612,287</u>	<u>2,612,287</u>
Total expenditures	\$ 2,612,287	\$ 2,612,287
Excess revenues over (under) expenditures	\$ 58,105	\$ 58,105
FUND BALANCES - beginning of year	575,510	575,510
FUND BALANCES - end of year	<u>\$ 633,615</u>	<u>\$ 633,615</u>

"The notes to the financial statements are an integral part of this statement."

**SOUTHEASTERN UTAH ASSOCIATION
 OF LOCAL GOVERNMENTS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	58,105
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		(11,424)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Compensated absences)		1,860
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Change in net assets of governmental activities	\$	<u>48,541</u>
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"The notes to the financial statements are an integral part of this statement."

**SOUTHEASTERN UTAH ASSOCIATION
OF LOCAL GOVERNMENTS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006**

	<u>REVOLVING LOAN FUNDS TRUST FUNDS</u>	<u>BTAC</u>	<u>EASTERN UTAH TV & TECH ASSOCIATION</u>
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 73,912	\$ 8,366	\$ 6,000
Investments	536,291	117,023	
Note receivable - EDA funds	615,743		
Note receivable - CDBG funds	144,196		
Note receivable - San Juan funds	57,453		
Note receivable - F.C. Partnership	32,176		
Note receivable - Rural Development	15,869		
Total current assets	<u>\$ 1,475,640</u>	<u>\$ 125,389</u>	<u>\$ 6,000</u>
Noncurrent Assets:			
Equipment		\$ 5,279	
Less: Accumulated depreciation		<u>(3,394)</u>	
Total noncurrent assets	<u>\$...</u>	<u>\$ 1,885</u>	<u>\$...</u>
Total assets	<u>\$ 1,475,640</u>	<u>\$ 127,274</u>	<u>\$ 6,000</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Current portion long-term debt		\$ 402	
Total current liabilities	<u>\$...</u>	<u>\$ 402</u>	<u>\$...</u>
Noncurrent Liabilities:			
Deposit payable		\$ 4,561	
Total noncurrent liabilities	<u>\$...</u>	<u>\$ 4,561</u>	<u>\$...</u>
Total liabilities	<u>\$...</u>	<u>\$ 4,963</u>	<u>\$...</u>
<u>NET ASSETS</u>			
Held in trust	<u>\$ 1,475,640</u>	<u>\$ 122,311</u>	<u>\$ 6,000</u>
Total net assets	<u>\$ 1,475,640</u>	<u>\$ 122,311</u>	<u>\$ 6,000</u>

"The notes to the financial statements are an integral part of this statement."

SOUTHEASTERN UTAH ASSOCIATION
OF LOCAL GOVERNMENTS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	REVOLVING LOAN FUNDS TRUST FUNDS	BTAC	EASTERN UTAH TV & TECH ASSOCIATION
OPERATING REVENUES:			
Charges for services	\$ 6,071	\$ 58,540	
Interest	63,896		
Total operating revenues	\$ 69,967	\$ 58,540	\$...
OPERATING EXPENSES:			
Salaries and benefits	\$ 1,851	\$ 19,238	
Meeting and conference	88	448	
Repairs and maintenance		5,334	
Advertising		802	
Telephone	32	4,496	
Utilities		15,325	
Depreciation		754	
Indirect expense	219	2,670	
Travel	1,249	257	
Insurance		3,048	
Supplies	1,164	1,054	
Fees	1,020	7	
Miscellaneous	38	125	
Total operating expenses	\$ 5,661	\$ 53,558	\$...
Operating income/(loss)	\$ 64,306	\$ 4,982	\$...
NON-OPERATING REVENUES (EXPENSES):			
Grants received			\$ 2,240,479
Loan recovery	\$ 1,002		
Grant pass through			(2,234,479)
Interest revenue		\$ 4,837	
Interest expense		(87)	
Total non-operating revenues (expenses)	\$ 1,002	\$ 4,750	\$ 6,000
Change in net assets	\$ 65,308	\$ 9,732	\$ 6,000
RETAINED EARNINGS/FUND BALANCES, beginning of year	1,410,332	112,579	
RETAINED EARNINGS/FUND BALANCES, end of year	\$ 1,475,640	\$ 122,311	\$ 6,000

"The notes to the financial statements are an integral part of this statement."

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Southeastern Utah Association of Local Governments (Association) have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Southeastern Utah Association of Local Governments was established in 1970, by representatives of local governments of Carbon, Emery, Grand and San Juan counties, in the State of Utah in accordance with an Executive Order issued by Governor Rampton in 1970. The Executive Order fixed the boundaries of multi-county districts for planning and development in the State of Utah. All county and municipal units of government within each district were requested to cooperate and participate in establishing a multi-county association of governments under the terms of the Inter-local Cooperation Act of 1965. The main purposes of the districting and the establishment of Association of Governments were to facilitate area-wide planning and development activities, to provide a strengthened role of county and municipal officials in the execution of state and federal programs at the local level, and to eliminate duplication and competition between various levels of government and thus facilitate the most effective use of the State's resources.

In June 1999, the Governmental Accounting Standard Board (GASB) unanimously approved Statement No. 34, Basic Financial Statement and Management's Discussion and Analysis, State and Local Governments. Certain of the significant changes in Statement No. 34 include the following:

- For the first time the financial statements include:
 - A Management's Discussion and Analysis (MD&A) providing an analysis of the Association's overall financial position and results of operations.
 - Financial Statements prepared using full accrual accounting for all of the Association's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements as of June 30, 2006.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

A. **Reporting Entity**

For financial reporting purposes, the Association has included all funds, organizations, account groups, agencies, boards and commissions. The Association has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Association are such that exclusion would cause the Association's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Association to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific burdens on the Association. According to the Standards listed above there are no entities that should be included in the Association's financial statements as component units.

B. **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the District and its component units. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Sales taxes, property taxes, franchise taxes, interest, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Association.

Fiduciary fund financial statements are presented using the accounting basis, which is consistent with the fund's accounting measurement objective. Trust funds use the economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period incurred, if measurable. The Fiduciary Funds reported in the Association's financial statements are used to account for the activity of the revolving loan moneys received from different governmental organizations and funds held for the Southeastern Utah Business and Technical Assistance Center and the Eastern Utah TV & Technological Association.

The government reports the following major governmental fund:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Association has elected not to follow subsequent private-sector guidance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Association's BTAC function and various other functions of the Association. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Association's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Budgeting

The Association's budgets are adopted on the modified accrual basis of accounting. The Association follows the budgetary practices and procedures required by Utah State law. These requirements are summarized as follows:

1. A formal budget is adopted for all funds which require a budget: all general and special revenue funds. The budget is a complete financial plan, which identifies all estimated revenue and all appropriations for expenditure for the year. The budget must balance, that is estimated revenues and other financing sources must equal appropriated expenditures.
2. By June 7, the Association's accountant submits to the Association's governing board a proposed operating budget for the fiscal year beginning July 1.
3. The Board of Directors discusses and approved the budget and sets a date for a public hearing.
4. A public hearing is held to obtain taxpayer comments and the budget is adopted.
5. The governing board can transfer budgeted amounts between line items or departments by resolution, but any action that increases the total general fund budget must be approved by resolution only after a public hearing. (The budgets of other funds may be increased after giving public notice.)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. **Cash and Cash Equivalents and Investments**

Cash and Cash Equivalents - Cash and cash equivalents are carried at cost or amortized cost, which approximates market. Cash and cash equivalents are reported on the financial statements as cash and represent deposits with financial institutions or cash deposits held in escrow. The cash reported on the financial statements by fund has been pooled by the Treasurer into one or two bank accounts.

Investments - Investments are funds deposited with the State of Utah and held in the States Public Treasurers Investment Fund. Investments are considered cash equivalent in the financial statements.

F. **Receivables**

Accounts receivable in the governmental fund types consist mainly of amounts due from federal and state governments where collectibility is reasonably assured. Accordingly, no allowance for uncollectible accounts has been established.

G. **Capital Assets**

Capital assets, which include building and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines Capital Assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized. Estimated useful lives are as follows:

Equipment	5-15 years
Building	40 years

H. **Compensated Absences**

It is the Association's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave because employees are not paid for unused sick leave at retirement or termination. Vacation pay vests to employees and is paid to employees in cash at termination or when they retire.

2. DEPOSITS AND INVESTMENTS

Deposits and investing for the Association is governed by the Utah Money Management Act (Utah Code, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

The Association follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Association funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

The Association maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Income from the investment of pooled cash is allocated based on each fund's portion of the pool. In addition, cash is separately held by individual funds.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Association's deposits may not be returned to it. The Association does not have a formal deposit policy for custodial credit risk. At June 30, 2006, the Association's bank balance of cash on deposit was \$368,491 of this amount \$192,400 was insured. But \$176,091 of the deposits are uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the Association and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Association to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

2. DEPOSITS AND INVESTMENTS (Continued)

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006, the Association had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 113,736	\$ 113,736			
Total Investments	\$ 113,736	\$ 113,736	\$...	\$...	\$...

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Association manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The Association also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association has not adopted a formal policy with regards to credit risk on investments but the Association informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

2. **DEPOSITS AND INVESTMENTS (Continued)**

At June 30, 2006, the Association had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
State of Utah Public Treasurer's Investment Fund	\$ 113,736				\$ 113,736
Total	<u>\$ 113,736</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 113,736</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Association's informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Association does not have a formal policy for custodial credit risk. As of June 30, 2006, the District had \$113,736 invested in the Public Treasurer's Investment Fund and was held by them.

3. **RESERVED FUND BALANCE**

The Association has restricted fund balances in the amount of \$368,239. Amounts have been reserved because the Association has entered into many different grant agreements where funds are restricted by these agreements for specific functions.

4. **CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Primary Government				
Governmental activities:				
Capital assets not being depreciated:				
Land				
Total capital assets not being depreciated	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>
Capital assets being depreciated:				
Buildings	\$ 336,187			\$ 336,187
Machinery and equipment	<u>236,790</u>	<u>\$ 17,997</u>		<u>254,787</u>
Total capital assets being depreciated:	<u>\$ 572,977</u>	<u>\$ 17,997</u>	<u>\$...</u>	<u>\$ 590,974</u>
Less accumulated depreciation for:				
Buildings	\$ 39,883	\$ 8,405		\$ 48,288
Machinery and equipment	<u>137,885</u>	<u>21,016</u>		<u>158,901</u>
Total accumulated depreciation	<u>\$ 177,768</u>	<u>\$ 29,421</u>	<u>\$...</u>	<u>\$ 207,189</u>
Total capital assets being depreciated, net	<u>\$ 395,209</u>	<u>\$ (11,424)</u>	<u>\$...</u>	<u>\$ 383,785</u>
Governmental activities capital assets, net	<u>\$ 395,209</u>	<u>\$ (11,424)</u>	<u>\$...</u>	<u>\$ 383,785</u>

4. **CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 1,495
Public Health	19,521
Community and Economic Development	<u>8,405</u>
Total depreciation expense - governmental activities	<u>\$ 29,421</u>

5. **PENSION PLAN**

Plan description. Southeastern Utah Association of Local Governments (S.E.U.A.O.G.) contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The systems issued a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the Local Governmental Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and the Association is required to contribute 7.08% of their annual covered salary. In the Local Governmental Noncontributory Retirement System, the Association is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Association contributions to the Local Governmental Contributory Retirement System for the years ending June 30, 2006, 2005 and 2004 were \$10,725.12, \$14,992.81 and \$15,429.46 respectively and for the Noncontributory Retirement System the contributions for June 30, 2006, 2005 and 2004 were \$64,975.25, \$71,230.44 and \$64,974.42 respectively. The contributions were equal to the required contributions for each year.

6. **LONG-TERM DEBT**

Annual debt service requirements to maturity for notes payable are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2008	\$ 35,000		\$ 35,000
	<u>\$ 35,000</u>	<u>\$...</u>	<u>\$ 35,000</u>

Governmental Activities

\$35,000 Olene Walker Housing Trust Fund loan through the State of Utah, Department of Community and Economic Development, Promissory note, zero percent interest, due in three years \$35,000

Changes in long-term liabilities:

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Note payable	\$ 35,000			\$ 35,000	
Compensated absences	<u>25,759</u>		<u>\$ 1,860</u>	<u>23,899</u>	
Governmental activity long-term liability	<u>\$ 60,759</u>	<u>\$...</u>	<u>\$ 1,860</u>	<u>\$ 58,899</u>	<u>\$...</u>

7. **UNCOLLECTIBLE LOANS**

The Southeastern Utah Association of Local Governments (Association) has received funds from several different sources to create and operate a revolving loan fund. For the past several years, the Association has made loans to individuals and businesses that have met the qualifications established when grant funds were received.

Unfortunately, some businesses and individuals who have received loan funds are not current on their repayment of these loans. The revolving loan board has taken several measures to recover these funds. Some loans have been restructured while others are being litigated in an effort to secure these funds.

8. DEFERRED COMPENSATION PLANS

The Association offers its employees two deferred compensation plans created in accordance with the Internal Revenue Code. The plans, available to all employees, permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The assets of the plans are administered by the Utah Retirement Systems (URS). The URS has adopted Government Accounting Standards Board Statement No. 32 (GASB 32), Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. As a result, all of the assets and income of the deferred compensation plans are held in pooled investment fund trusts by the URS for the exclusive benefit of the participants or their beneficiaries rather than as assets of the employer. Since the URS is the fiduciary of these assets, the Association is no longer required to report the assets.

These plans are included in a publicly available financial report that includes financial statements and required supplementary information. A copy of the URS report may be obtained by writing to the Utah Retirement Systems, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

9. RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association pays an annual premium to Utah Local Governments Trust for its health insurance coverage. The Association is insured through commercial companies for its general liability coverage. At June 30, 2006, the Association had no claims or judgements filed against its related to the risks mentioned above.

**SOUTHEASTERN UTAH ASSOCIATION
OF LOCAL GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES:				
Intergovernmental	\$ 2,683,181	\$ 3,080,749	\$ 2,490,896	\$ (589,853)
Charges for services	135,000	135,000	114,995	(20,005)
Miscellaneous revenue	36,000	36,000	64,501	28,501
Total revenues	\$ 2,854,181	\$ 3,251,749	\$ 2,670,392	\$ (581,357)
EXPENDITURES:				
Current:				
General government	\$ 253,000	\$ 170,000	\$ 125,204	\$ 44,796
Total general government	\$ 253,000	\$ 170,000	\$ 125,204	\$ 44,796
Public safety	\$ 300,000	\$ 500,000	\$ 186,640	\$ 313,360
Total public safety	\$ 300,000	\$ 500,000	\$ 186,640	\$ 313,360
Public health	\$ 1,766,000	\$ 2,067,149	\$ 2,057,175	\$ 9,974
Total public health	\$ 1,766,000	\$ 2,067,149	\$ 2,057,175	\$ 9,974
Economic development	\$ 535,181	\$ 514,600	\$ 243,268	\$ 271,332
Total economic development	\$ 535,181	\$ 514,600	\$ 243,268	\$ 271,332
Total expenditures	\$ 2,854,181	\$ 3,251,749	\$ 2,612,287	\$ 639,462
Excess of revenue over (under) expenditures			\$ 58,105	\$ 58,105
Fund balances - beginning of year	\$ 612,588	\$ 612,588	575,510	(37,078)
Fund balances - end of year	\$ 612,588	\$ 612,588	\$ 633,615	\$ 21,027

"The notes to the financial statements are an integral part of this statement."

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
COMBINING BALANCE SHEET
FIDUCIARY FUNDS
REVOLVING LOAN FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	EDA RLF PROJ. INC. RECAP	EDA RLF FUND PROJ. INC.	CDBG RLF FUND PROJ. INC.	CDBG MONTICELLO PROJ. INC.	SAN JUAN RLF FUND PROJ. INC.	FOUR CORNERS FOREST RLF PROJ. INC.	RURAL DEVELOPMENT RLF FUND PROJ. INC.	TOTAL
Cash	\$ 4,706	\$ (11,252)	\$ 58,093	\$ 4,004	\$ 12,053	\$ 797	\$ 5,511	\$ 73,912
Investments	27,546	161,743	81,757	27,487	71,672	31,817	128,269	536,291
Note receivable - EDA funds	143,418	472,325						615,743
Note receivable - CDBG funds			108,162	36,034				144,196
Note receivable - San Juan funds					57,453			57,453
Note receivable - F.C. Partnership						32,176		32,176
Note receivable - Rural Development							15,869	15,869
Total assets	\$ 175,670	\$ 622,816	\$ 248,012	\$ 67,525	\$ 147,178	\$ 64,790	\$ 149,649	\$ 1,475,640

LIABILITIES AND FUND EQUITY

LIABILITIES:

Accounts payable

Total liabilities

FUND EQUITY:

Held in trust

Total liabilities and
fund equity

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS/FUND BALANCES

FIDUCIARY FUNDS
REVOLVING LOAN FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	RURAL DEVELOPMENT RLF PROJ. INC.	EDA RLF PROJECT INCOME RECAPITALIZATION	FOUR CORNERS FOREST PARTNERSHIP	CDBG MONTICELLO RLF	FmHA RLF PROJ. INC.	EDA RLF FUND PROJ. INC.	CDBG RLF FUND PROJ. INC.	SAN JUAN RLF FUND PROJ. INC.	TOTALS (MEMORANDUM ONLY) JUNE 30, 2006
OPERATING REVENUES:									
Charges for services	\$ 6,327	\$ 1,461	\$ 1,228	\$ 113		\$ 3,844	\$ 19	\$ 634	\$ 6,071
Interest		7,320		2,566		29,976	10,686	5,793	63,896
Total operating revenues	\$ 6,327	\$ 8,781	\$ 1,228	\$ 2,679		\$ 33,820	\$ 10,705	\$ 6,427	\$ 69,967
OPERATING EXPENSES:									
Salaries and benefits						\$ 1,388	\$ 463		\$ 1,851
Meeting and conference						83	5		88
Indirect expense						164	55		219
Travel						882	367		1,249
Supplies	\$ 15	\$ 18	\$ 7	\$ 1		810	304	\$ 9	1,164
Telephone						22	10		32
Fees		48				682	283	7	1,020
Miscellaneous							38		38
Total operating expenses	\$ 15	\$ 66	\$ 7	\$ 1		\$ 4,031	\$ 1,525	\$ 16	\$ 5,661
Operating income/(loss)	\$ 6,312	\$ 8,715	\$ 1,221	\$ 2,678		\$ 29,789	\$ 9,180	\$ 6,411	\$ 64,306
NON-OPERATING REVENUES									
(EXPENSES):									
Transfer in (out)	\$ 81,621					\$ (81,621)			\$ 1,002
Loan recovery	358	\$ 644							
Total non-operating revenues (expenses)	\$ 81,979	\$ 644				\$ (81,621)			\$ 1,002
Net income/(loss)	\$ 88,291	\$ 9,359	\$ 1,221	\$ 2,678	\$ (81,621)	\$ 29,789	\$ 9,180	\$ 6,411	\$ 65,308
RETAINED EARNINGS/FUND BALANCES, beginning of year	61,358	166,311	63,569	64,847	81,621	593,027	238,832	140,767	1,410,332
RETAINED EARNINGS/FUND BALANCES, end of year	\$ 149,649	\$ 175,670	\$ 64,790	\$ 67,525	\$...	\$ 622,816	\$ 248,012	\$ 147,178	\$ 1,475,640

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
COMBINING STATEMENT OF CASH FLOW
FIDUCIARY FUNDS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

	RURAL	EDF RLF	FOUR CORNERS	FmHA	EDA	CDBG	CDBG	SAN JUAN	TOTALS
	DEVELOPMENT	PROJ. INC.	FOREST RLF	FUND	RLF FUND	PROJ. INC.	PROJ. INC.	RLF FUND	(MEMORANDUM ONLY)
	PROJ. INC.	RECAP	PROJ. INC.	PROJ. INC.	PROJ. INC.	PROJ. INC.	PROJ. INC.	PROJ. INC.	JUNE 30, 2006
CASH FLOW FROM OPERATING ACTIVITIES:									
Cash received from customers	\$ 6,327	\$ 8,781	\$ 1,228		\$ 33,820	\$ 2,679	\$ 10,705	\$ 6,427	\$ 69,967
Cash payments to suppliers for goods and services	(15)	(66)	(7)		(4,031)	(1)	(1,525)	(16)	(5,661)
Net cash provided (used) by operating activities	\$ 6,312	\$ 8,715	\$ 1,221	\$...	\$ 29,789	\$ 2,678	\$ 9,180	\$ 6,411	\$ 64,306
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:									
Loans made to clients	\$ 52,592	\$ (80,000)			\$ (96,243)			\$ (31,226)	\$ (207,469)
Transfer in (out)	26,883	8,818	5,076	\$ (52,592)	180,206	10,401	105,284	29,400	366,068
Payments received on loans									
Net cash provided (used) by noncapital financing activities	\$ 79,475	\$ (71,182)	\$ 5,076	\$ (52,592)	\$ 83,963	\$ 10,401	\$ 105,284	\$ (1,826)	\$ 158,599
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 85,787	\$ (62,467)	\$ 6,297	\$ (52,592)	\$ 113,752	\$ 13,079	\$ 114,464	\$ 4,585	\$ 222,905
CASH AND CASH EQUIVALENTS - Beginning of year	47,993	94,719	26,317	52,592	36,739	18,412	25,386	85,140	387,298
CASH AND CASH EQUIVALENTS - End of year	\$ 133,780	\$ 32,252	\$ 32,614	\$...	\$ 150,491	\$ 31,491	\$ 139,850	\$ 89,725	\$ 610,203
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:									
Operating income (loss)	\$ 6,312	\$ 8,715	\$ 1,221		\$ 29,789	\$ 2,678	\$ 9,180	\$ 6,411	\$ 64,306
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Change in assets and liabilities:									
Net cash provided (used) by operating activities	\$ 6,312	\$ 8,715	\$ 1,221	\$...	\$ 29,789	\$ 2,678	\$ 9,180	\$ 6,411	\$ 64,306

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
GENERAL FUND PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	USDA CHILD NUTRITION	HCTA MEDICARE WAIVER	AGING AND NUTRITION	AGING AND NUTRITION LOCAL	AGING AND NUTRITION PROGRAM INCOME	PROCURE- MENT	BUILDING FUND	USDA CHILD NUTRITION	EMERGENCY FOOD NETWORK	EMERY CLAUS
REVENUES:										
Intergovernmental revenue	\$ 12,718		\$ 580,133	\$ 244,640	\$ 114,995	\$ 27,271	\$ 12,000	\$ 445	\$ 27,500	
Charges for service										
Miscellaneous revenue	114,995									
	64,501									
Total revenues	\$ 2,670,392	\$ 12,718	\$ 580,133	\$ 244,640	\$ 114,995	\$ 27,271	\$ 12,000	\$ 445	\$ 27,500	\$...
EXPENDITURES:										
General government	\$ 125,204					\$ 27,271	\$ 16,453			
Community and economic development	243,268									
Public safety	186,640							\$ 445	\$ 27,500	
Public health	2,057,175		\$ 580,133	\$ 230,215	\$ 114,995					
Total expenditures	\$ 2,612,287	\$ 12,718	\$ 580,133	\$ 230,215	\$ 114,995	\$ 27,271	\$ 16,453	\$ 445	\$ 27,500	\$...
Excess of revenues over (under) expenditures	\$ 58,105	\$...	\$...	\$ 14,425	\$...	\$...	\$ (4,453)	\$...	\$...	\$...
OTHER FINANCING SOURCES (USES):										
Operating transfers in (out)										
Total other financing sources (uses)	\$...	\$...	\$...	\$...	\$...	\$...	\$...	\$...	\$...	\$...
Excess of revenues and other sources over (under) expend- itures and other uses	\$ 58,105			\$ 14,425			\$ (4,453)			
Fund balance, July 1,	575,510	\$ 1,979		17,095			15,609		\$ 1,126	\$ 223
Fund balance, June 30,	\$ 633,615	\$ 1,979	\$...	\$ 31,520	\$...	\$...	\$ 11,156	\$...	\$ 1,126	\$ 223

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
GENERAL FUND PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	CSBG	CSBG	SEUDD	SEUDD	CARBON ENSURE	TITLE XX LOCAL	EMERY FEMA	EMERY ADMINI- STRATION	CARBON FEMA	GRAND FEMA
REVENUES:										
Intergovernmental revenue	\$ 16,451	\$ 92,553	\$ 13,872	\$ 25,500	\$ 13,110	\$ 49,245	\$ 16,595	\$ 16,240	\$ 18,033	\$ 10,811
Charges for services		100								
Miscellaneous revenue										
Total revenues	\$ 16,451	\$ 92,653	\$ 13,872	\$ 25,500	\$ 13,110	\$ 49,245	\$ 16,595	\$ 16,240	\$ 18,033	\$ 10,811
EXPENDITURES:										
General government			\$ 13,872	\$ 47,939						
Community and economic development	\$ 16,451	\$ 92,553			\$ 13,110	\$ 49,245	\$ 16,595	\$ 16,240	\$ 24,282	\$ 11,047
Public safety	\$ 16,451	\$ 92,553	\$ 13,872	\$ 47,939	\$ 13,110	\$ 49,245	\$ 16,595	\$ 16,240	\$ 24,282	\$ 11,047
Public health										
Total expenditures	\$ 32,902	\$ 185,106	\$ 27,744	\$ 95,878	\$ 26,220	\$ 98,490	\$ 33,190	\$ 32,480	\$ 48,564	\$ 22,094
Excess of revenues over (under) expenditures	\$ 16,451	\$ 92,653	\$ 13,872	\$ 25,500	\$ 13,110	\$ 49,245	\$ 16,595	\$ 16,240	\$ 18,033	\$ 10,811
OTHER FINANCING SOURCES (USES):										
Operating transfers in (out)	\$ 105,133	\$ (105,133)								
Total other financing sources (uses)	\$ 105,133	\$ (105,133)								
Excess of revenues and other sources over (under) expendi- tures and other uses	\$ 105,133	\$ (105,033)	\$ (22,439)				\$ (3,934)		\$ (6,249)	\$ (236)
Fund balance, July 1,		105,033		22,439			3,934	7,415	6,249	3,765
Fund balance, June 30,	\$ 105,133	\$ 105,133	\$ 105,133	\$ 105,133	\$ 105,133	\$ 105,133	\$ 105,133	\$ 105,133	\$ 105,133	\$ 105,133

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
GENERAL FUND PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	HEAT CRISIS PROGRAM	LIHEAP WEATHER- IZATION	DOE WX	LIHEAP WX	AAA LOCAL	HEAT ADMIN	HEAT ADMIN	UTAH POWER WX	LIHEAP WX	HEAT CASE MANAGEMENT	HCFA MED WAIVER NON-BILLABLE
REVENUES:											
Intergovernmental revenue	\$ 21,216	\$ 19,482	\$ 163,835	\$ 24,596	\$ 16,400	\$ 34,491	\$ 51,644	\$ 2,896	\$ 102,386	\$ 39,119	\$ 12,765
Charges for services											
Miscellaneous revenue											
Total revenues	\$ 21,216	\$ 19,482	\$ 163,835	\$ 24,596	\$ 16,400	\$ 34,491	\$ 51,644	\$ 2,896	\$ 102,386	\$ 39,119	\$ 12,765
EXPENDITURES:											
General government											
Community and economic development											
Public safety											
Public health											
Total expenditures	\$ 21,216	\$ 19,482	\$ 163,835	\$ 24,596	\$ 26,204	\$ 34,491	\$ 51,644	\$ 2,764	\$ 102,386	\$ 39,119	\$ 12,765
Excess of revenues over (under) expenditures	\$	\$	\$	\$	\$ (9,804)	\$	\$	\$ 132	\$	\$	\$
OTHER FINANCING SOURCES (USES):											
Operating transfers in (out)					\$ (1,977)						
Total other financing sources (uses)	\$	\$	\$	\$	\$ (1,977)	\$	\$	\$	\$	\$	\$
Excess of revenues and other sources over (under) expenditures and other uses					\$ (11,781)			\$ 132			
Fund balance, July 1,					30,264						
Fund balance, June 30,	\$	\$	\$	\$	\$ 18,483	\$	\$	\$ 132	\$	\$	\$

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
GENERAL FUND PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	CDBG HOUSING REHAB.	CDBG COMMUNITY DEVELOPMENT	RURAL DEVELOP ADA HOME	CDBG ECON DEVELOP	CDBG ECON DEVELOP	RATING AND RANKING	CDBG ECONOMIC DEVELOPMENT	SAN JUAN ECONOMIC DEVELOPMENT	SINGLE FAMILY HOME	WORK CAMP FOUNDATION	CDBG PD/HOUSING	PCIB SPANISH VALLEY
REVENUES:												
Intergovernmental revenue	\$ 19,829	\$ 8,660	\$ 340	\$ 13,046	\$ 22,063	\$ 6,000	\$ 15,671		\$ 4,417	\$ 6,321	\$ 15,734	
Charges for services												
Miscellaneous revenue											4,900	
Total revenues	\$ 19,829	\$ 8,660	\$ 340	\$ 13,046	\$ 22,063	\$ 6,000	\$ 15,671		\$ 4,417	\$ 6,321	\$ 20,634	\$
EXPENDITURES:												
General government												
Community and economic development	\$ 19,829	\$ 8,660		\$ 13,046	\$ 22,063	\$ 6,000	\$ 15,671				\$ 20,634	
Public safety									\$ 4,417	\$ 6,321		
Public health												
Total expenditures	\$ 19,829	\$ 8,660	\$	\$ 13,046	\$ 22,063	\$ 6,000	\$ 15,671		\$ 4,417	\$ 6,321	\$ 20,634	\$
Excess of revenues over (under) expenditures	\$	\$	\$ 340	\$	\$	\$	\$	\$	\$	\$	\$	\$
OTHER FINANCING SOURCES (USES):												
Operating transfers in (out)												
Total other financing sources (uses)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Excess of revenues and other sources over (under) expenditures and other uses		\$ 340						\$ 522		\$ 2,859		\$ 10,000
Fund balance, July 1,												\$ 10,000
Fund balance, June 30,	\$	\$	\$ 340	\$	\$	\$	\$	\$ 522	\$	\$ 2,859	\$	\$ 10,000

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
GENERAL FUND PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	HOME PROGRAM LOAN	CARBON FOOD BANK	EMERY FOOD BANK	GRAND FOOD BANK	A.O.G. MISCELLANEOUS	FIRST TIME HOME BUYER	FIRST TIME HOME BUYER	CIB PLANNING	A.O.G. COUNTY PLANNER	CIB CAPITAL IMPROVEMENTS	SPANISH VALLEY DEVELOPMENT
REVENUES:											
Intergovernmental revenue		\$ 8,576	\$ 2,630	\$ 3,214	\$ 34,769	\$ 14,336		\$ 55,000	\$ 60,000	\$ 4,000	
Charges for Services	\$ 1,768	6,589	161	6,233	4,750						
Miscellaneous	\$ 1,768	\$ 15,165	\$ 2,791	\$ 9,447	\$ 39,519	\$ 14,336	\$...	\$ 55,000	\$ 60,000	\$ 4,000	\$...
Total revenues											
EXPENDITURES:											
General government					\$ 29,498			\$ 55,000	\$ 36,706	\$ 4,000	
Community and economic development						\$ 14,336					
Public safety	\$...	\$ 1,959	\$ 580	\$ 6,578							
Public health	\$...	\$ 1,959	\$ 580	\$ 6,578	\$ 29,498	\$ 14,336	\$...	\$ 55,000	\$ 36,706	\$ 4,000	\$...
Total expenditures											
Excess of revenues over (under) expenditures	\$ 1,768	\$ 13,206	\$ 2,211	\$ 2,869	\$ 10,021	\$...	\$...	\$...	\$ 23,294	\$...	\$...
OTHER FINANCING SOURCES (USES):											
Operating transfers in (out)	\$...	\$ 7,421	\$ 1,818	\$ (13,673)							
Total other financing sources (uses)	\$...	\$ 7,421	\$ 1,818	\$ (13,673)	\$...	\$...	\$...	\$...	\$...	\$...	\$...
Excess of revenues and other sources over (under) expenditures and other uses	\$ 1,768	\$ 20,627	\$ 4,029	\$ (10,804)	\$ 10,021				\$ 23,294		\$ 1,434
Fund balance, July 1,	6,019	1,109	1,717	904	255,355	\$ 1,185	\$ 1,462		44,045		\$ 1,434
Fund balance, June 30,	\$ 7,787	\$ 21,736	\$ 5,746	\$ (9,900)	\$ 265,376	\$ 1,185	\$ 1,462	\$...	\$ 67,339	\$...	\$ 1,434

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
GENERAL FUND PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	OWHLF ADMIN	QUESTAR GAS WX	QUESTAR GAS WX	DANIELS FOUNDATION GRANT	COPS GRANT	GWC OWHLF MONUMENT VALLEY	EMERY COUNTY ECONOMIC DEVELOPMENT	LIFEAP WX
REVENUES:								
Inter-governmental revenue	\$ 17,494	\$ 5,283	\$ 1,783	\$ 19,382	\$ 186,640	\$ 18,741		\$ 206,196
Charges for services								9,000
Miscellaneous								
Total revenues	\$ 17,494	\$ 5,283	\$ 1,783	\$ 19,382	\$ 186,640	\$ 18,741		\$ 215,196
EXPENDITURES:								
General government								
Community and economic development	\$ 17,494	\$ 5,283	\$ 1,783	\$ 19,382	\$ 186,640	\$ 18,741		\$ 206,196
Public safety								
Public health								
Total expenditures	\$ 17,494	\$ 5,283	\$ 1,783	\$ 19,382	\$ 186,640	\$ 18,741		\$ 206,196
Excess of revenues over (under) expenditures	\$...	\$...	\$...	\$...	\$...	\$...		\$ 9,000
OTHER FINANCING SOURCES (USES):								
Operating transfers in (out)								
Total other financing sources (uses)	\$...	\$...	\$...	\$...	\$...	\$...		\$...
Excess of revenues and other sources over (under) expenditures and other uses								\$ 9,000
Fund balance, July 1,							\$ 13	
Fund balance, June 30,	\$...	\$...	\$...	\$...	\$...	\$...	\$ 13	\$ 9,000

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
GENERAL FUND PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	AAA MEDICARE WAIVER (HCFA)	AAA MEDICARE WAIVER (DAAS)	AMERICAN EXPRESS DONATION	EDA SMART SITE	WELLS FARGO DONATION	LDS DONATION WX	CARBON FOOD BANK	EMERY FOOD BANK	GRAND FOOD BANK	OWHLF LOAN FUND
REVENUES:										
Intergovernmental revenue	\$ 22,031	\$ 39,670	\$ 25,000	\$ 2,500	\$ 1,000	\$ 5,000				
Charges for services										
Miscellaneous										
Total revenues	\$ 22,031	\$ 39,670	\$ 25,000	\$ 2,500	\$ 1,000	\$ 5,000	\$	\$	\$	\$
EXPENDITURES:										
General government										
Community and economic										
development										
Public safety										
Public health										
Total expenditures	\$ 21,823	\$ 39,670	\$ 5,000		\$ 854					
Excess of revenues over (under)	\$ 21,823	\$ 39,670	\$ 5,000		\$ 854	\$	\$	\$	\$	\$
expenditures	\$ 208	\$	\$ 20,000	\$ 2,500	\$ 146	\$ 5,000	\$	\$	\$	\$
OTHER FINANCING SOURCES (USES):										
Operating transfers in (out)		\$ 1,977					\$ (7,421)	\$ (1,818)	\$ 13,673	
Total other financing sources		\$ 1,977					\$ (7,421)	\$ (1,818)	\$ 13,673	\$
(uses)	\$	\$ 1,977	\$	\$	\$	\$	\$	\$	\$	\$
Excess of revenues and other sources	\$ 208	\$ 1,977	\$ 20,000	\$ 2,500	\$ 146	\$ 5,000	\$ (7,421)	\$ (1,818)	\$ 13,673	\$
over (under) expenditures and	2,666	(1,977)		2,500			7,421	1,818	(13,673)	\$ 35,000
other uses										
Fund balance, July 1,	\$ 2,874	\$	\$ 20,000	\$ 5,000	\$ 146	\$ 5,000	\$	\$	\$	\$
Fund balance, June 30,										\$ 35,000

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MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Southeastern Utah Association of Local Governments
Price, Utah 84501

RE: Auditors' Report on State Compliance
for State Grants

We have audited the basic financial statements of Southeastern Utah Association of Local Governments, for the year ended June 30, 2006, and have issued our report thereon dated January 26, 2007. As part of our audit of the Association's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The District received the following major state assistance programs from the State of Utah:

Alternatives Program (Department of Human Services)

The Association received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the Association's financial statements.)

USDA Child Nutrition (Department of Health and Human Services)
CDBG Rating and Ranking (Department of Community and Economic Development)
Emergency Food Program (Department of Health and Human Services)
CIB Capital Improvement List (Department of Community and Economic Development)
PVE Stripper Well Group Camps (Health and Human Services)
Questar Gas Wx (Department of Health and Human Services)
Group Work Camp (Department of Health and Human Services)
Rocky Mountain Power Weatherization (Department of Community and Economic Development)

Our audit also included testwork on the Association's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements

Special Districts
Budgetary Compliance
Other General Issues

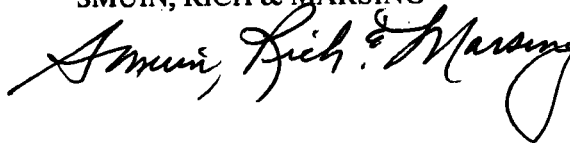
The management of Southeastern Utah Association of Local Governments is responsible for the Association's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Southeastern Utah Association of Local Governments, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; and special tests and provisions that are applicable to each of its major State Assistance Programs for the Year ended June 30, 2006.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Smuin, Rich & Marsing". The signature is written in dark ink and is positioned below the printed name of the firm.

Price, Utah

January 26, 2007

SMUIN, RICH & MARSING

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Southeastern Utah Association of Local Governments
Price, Utah 84501

RE: Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance With Govern-
ment Auditing Standards

We have audited the financial statements of the governmental activities of Southeastern Utah Association of Local Governments as of and for the year ended June 30, 2006, and have issued our report thereon dated January 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

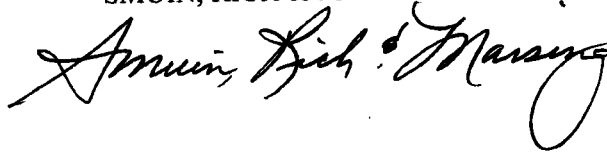
In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management of the Association, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Amuin, Rich & Marsing". The signature is written in dark ink and is positioned below the printed name.

Price, Utah

January 26, 2007

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Southeastern Utah Association of Local Governments
Price, Utah 84501

RE: Report on Compliance With Requirements
Applicable to Each Major Program and on
Internal Control Over Compliance in
Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Southeastern Utah Association of Local Governments with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Association's management. Our responsibility is to express an opinion on the Association's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Association's compliance with those requirements.

In our opinion, the Association complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

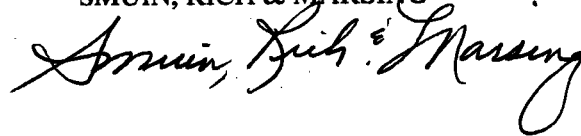
Internal Control Over Compliance

The management of Southeastern Utah Association of Local Governments is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Association's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, the Association's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING



Price, Utah

January 26, 2007

**SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Southeastern Utah Association of Local Governments.
2. There were no reportable conditions and no material weaknesses disclosed in internal control by the audit over the financial statements.
3. No instances of noncompliance material to the financial statements of Southeastern Utah Association of Local Governments were disclosed by the audit.
4. There were no reportable conditions and no material weaknesses in internal control over major programs disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs for Southeastern Utah Association of Local Governments expresses an unqualified opinion.
6. The audit of Southeastern Utah Association of Local Government's major program disclosed no audit finding relating to major programs that the auditor is required to report.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA#</u>
Liheap Weatherization	93.568

8. The threshold for distinguishing Type A programs was \$300,000.
9. Southeastern Utah Association of Local Governments was determined to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

None

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FEDERAL CFDA NUMBER	GRANT OR PASS THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED (DEFERRED) REVENUE AT JULY 1, 2005	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2006
U.S. DEPARTMENT OF COMMERCE						
Direct Program:						
Economic Development Administration	05-83-04254	\$ 54,000		\$ 13,872	\$ 13,872	
Economic Development Administration	05-83-04131	51,000	\$ 22,439	25,500	47,939	
EDA Smart Site	05-88-03594	75,000	2,500	2,500		\$ 5,000
Pass through Department of Community & Economic Development:						
Procurement	04-1633	106,164		27,271	27,271	
Total Department of Commerce		\$ 286,164	\$ 24,939	\$ 69,143	\$ 89,082	\$ 5,000
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Pass through State Department of Human Services:						
Title VII, Long-Term Care Ombudsman Services for Older Individuals	06-0004	2,635		\$ 2,635	\$ 2,635	
Title III, Part VI: Disease Preventive and Health Promotion Services	06-0004	4,133		4,133	4,133	
Title III, Part II: Grants for Supportive Services and Senior Centers	06-0004	59,703		59,703	59,703	
Title III Part III: Nutrition Services	06-0004	99,118		99,118	99,118	
Title III E NFCSP (Caregiver)	06-0004	26,310		26,310	26,310	
Social Service Block Grant - Discretionary	06-0723	49,245		49,245	49,245	
Health Insurance Counseling	06-0004	6,000		6,000	6,000	
Medicaid Waiver	05-0277	171,022		12,765	12,765	
Medicaid Waiver	06-0446	53,067		41,658	41,658	
Total Department of Health and Human Services		\$ 471,233	\$	\$ 301,567	\$ 301,567	\$
U.S. DEPARTMENT OF JUSTICE						
Direct Program:						
Cops Grant	080320	\$ 1,088,425		\$ 186,640	\$ 186,640	
Total Department of Justice		\$ 1,088,425	\$	\$ 186,640	\$ 186,640	\$

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FEDERAL CFDA NUMBER	GRANT OR PASS THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED (DEFERRED) REVENUE AT JULY 1, 2005	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2006
14.228	06-0710	\$ 40,000		\$ 8,660	\$ 8,660	
14.228	06-0736	94,500		19,829	19,829	
14.228	06-0737	23,100		13,046	13,046	
14.228	04-2102	37,600		15,671	15,671	
14.228	04-2103	50,000		22,063	22,063	
14.228	05-1359	70,000		15,734	15,734	
14.239	02-2837	30,000	1,462			1,462
14.239	05-1269	40,000		14,336	14,336	
14.239	06-1925	40,000		18,741	18,741	
14.239	06-1037	200,000		4,417	4,417	
14.239	05-1512	25,000		17,494	17,494	
		\$ 650,200	\$ 1,462	\$ 149,991	\$ 149,991	\$ 1,462

Total Department of Housing and Urban Development

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
Pass through State Department of Community
and Economic Development:

93.568	04-1797	\$ 265,514		\$ 24,596	\$ 24,596 *	
93.568	03-1493	345,099		19,482	19,482 *	
93.568	06-1455	248,975		102,386	102,386 *	
93.568	06-1031	171,280		94,826	94,826 *	
93.568	05-1260	155,037		51,644	51,644 *	
93.568	05-1880	211,760		206,196	206,196 *	
93.569	05-1752	149,869		92,553	92,553	
93.569	06-1047	147,367		16,478	16,478	
		\$ 1,694,901	\$ -	\$ 608,161	\$ 608,161	\$ -

Total Department of Health and Human Services

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Pass through State Department of Community
and Economic Development:

Community Development Block Grant
Community Development Block Grant - Housing Rehab.
CDBG - RLF Delivery & Econ Dev
CDBG - ED
CDBG - CD
CDBG PD Housing
First Time Home Buyer
First Time Home Buyer
Group Work Camp OWHLF - Monument Valley
Single Family Home Rehab
OWHLF - Admin

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCURED (DEFERRED)		RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCURED (DEFERRED) REVENUE AT JUNE 30, 2006
				REVENUE AT JULY 1, 2005				
SMALL BUSINESS ADMINISTRATION								
Pass through State Department of Community and Economic Development:								
SBDC	59.037	04-18		\$ (10,691)	\$ 10,691			
Total Small Business Administration			\$...	\$ (10,691)	\$ 10,691	\$...	\$...	\$...
FEDERAL EMERGENCY MANAGEMENT AGENCY								
Direct Program:								
FEMA - Carbon County	97.024	848200-001	\$ 12,498	\$ 6,249	\$ 6,249	\$ 12,498		
FEMA - Carbon County	97.024	848200	11,784		11,784	11,784		
FEMA - Emery County	97.024	849000-001	7,868	3,934	3,934	7,868		
FEMA - Emery County	97.024	849000	6,688		6,688	6,688		
FEMA - Grand County	97.024	849400-001	7,529	3,765	3,764	7,529		
FEMA - Grand County	97.024	849400	7,047		7,047	3,518		\$ 3,529
Total Federal Emergency Management Agency			\$ 53,414	\$ 13,948	\$ 39,466	\$ 49,885	\$	\$ 3,529
U.S. DEPARTMENT OF AGRICULTURE								
Pass through State Department of Community and Economic Development:								
Elderly Feeding Program, Cash-In-Lieu	10.550	06-0004	\$ 92,871		\$ 78,310	\$ 78,310		
Total Department of Agriculture			\$ 92,871	\$...	\$ 78,310	\$ 78,310	\$	\$...
U.S. DEPARTMENT OF ENERGY								
Pass through State Department of Community and Economic Development:								
Weatherization Excon	81.042	06-0417	\$ 170,204		\$ 163,835	\$ 163,835		
Total Department of Energy			\$ 170,204	\$...	\$ 163,835	\$ 163,835	\$	\$...
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$	\$ 29,658	\$ 1,607,804	\$ 1,627,471	\$	\$ 9,991

* MAJOR PROGRAM

**SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2006**

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of program activity of the Association's federal award programs and does not necessarily present transactions that would be included in financial statements of the Association presented on the modified accrual basis of accounting, as contemplated by generally accepted accounting principles.

**SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

Southeastern Utah Association of Local Governments had the following two findings reported in its June 30, 2005 audit report. Below the findings have been listed along with the steps taken to correct these findings.

Community Services Block Grant (CSBG)
CFDA No. 93.569
Grant Contract No. 04-1411
Grant Period – Year ended June 30, 2005
U.S. Department of Health and Human Services pass through
Utah Department of Community and Economic Development

Finding 05-01

Condition - The Association had not provided the level of monitoring as required by OMB Circular A-133, which resulted in a subrecipient commingling Community Service Block Grant funds with other program money.

Corrective Action – The Southeastern Utah Association of Local Governments (SEUAOG) removed the employee who was responsible as the program manager over the Community Service Block Grant Program and hired another employee for this position. The Association provided the necessary training, which included instructions on the federal and state regulations pertinent to this program. The Executive Director and program manager met with the State of Utah representative responsible for funding this program and reviewed the finding. These individuals also traveled to the location of the subrecipient to review and evaluation the adequacy of the accounting system and internal controls in place. The State representative said that commingling of CSBG funds was no longer a requirement of this program.

Follow-up – Additional follow-up is not required.

Community Services Block Grant (CSBG)
CFDA No. 93.569
Grant Contract No. 04-1411
Grant Period – Year ended June 30, 2005
U.S. Department of Health and Human Services pass through
Utah Department of Community and Economic Development

Finding 05-02

Condition – For participants to be eligible to receive assistance through the CSBG program they must meet the eligibility requirements based on the Office of Management and Budget official poverty guidelines as described in section 673 of the CSBG Act. In addition Southeastern Utah Association of Local Governments requires a file to be maintained on participants to document their eligibility. The participants in the San Juan County CSBG program had not been tested for eligibility in the program and a file on participants had not been kept to document their eligibility.

Corrective Action - The State of Utah representative for the CSBG program, the SEUAOG Executive Director and Program Manager all traveled to the location of the subrecipient in San Juan County. Eligibility testing was performed on the participants. The State of Utah extended the contract under question and allowed the costs incurred after reviewing the internal controls and receiving verification of eligibility. File on participants have been created to document eligibility.

Follow-up – Additional follow-up is not required.

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF TOTAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

EXPENDITURES

Salaries	\$ 746,157
Fringe benefits	240,193
Contract personnel	41,954
Travel/local	73,035
Gas/vehicle maintenance	54,345
Food/meals	257,043
Meetings/conferences	17,295
Dues/publications	4,367
Insurance/bonding	17,831
Advertising	1,757
Rent	4,222
Utilities/telephone	95,668
Postage/handling	6,330
Office supplies/printing (Includes equip. < \$5,000 - COPS Grant)	87,066
Miscellaneous	27,566
Licenses/fees	3,800
Emergency assistance	133,761
Maintenance/repairs/supplies	28,083
Equipment/assets	28,998
Equipment/non-inventory	17,857
Materials/tools	158,960
Special projects	1,854
Pass through	459,386
Interest expense	87
Depreciation expense	754
Housing assistance	19,017
Indirect expense	144,207
	<hr/>
Total expenditures	\$ 2,671,593
	<hr/>

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF INDIRECT EXPENSE
FOR THE YEAR ENDED JUNE 30, 2006

Salaries	\$ 64,456
Fringe benefits	29,345
Professional fees	13,250
Travel	1,369
Utilities/telephone	7,113
Dues/publications	224
Postage/handling	3,285
Insurance/bonding	15,024
Office supplies/printing	4,214
Maintenance/repairs/supplies	107
Meetings and conference	15
Miscellaneous	5,805
	<hr/>
Total expenditures	\$ 144,207
	<hr/>

SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS
TOTAL EXPENDITURES AND INDIRECT COST RATE
FOR THE YEAR ENDED JUNE 30, 2006

RECONCILIATION OF EXPENDITURES

Indirect expenditures	\$ 144,207
Direct expenditures	2,527,386
	<hr/>
Total expenditures	\$ 2,671,593
	<hr/>
Exhibit 5 - expenditures	\$ 2,612,287
Exhibit 8 - expenditures	59,306
	<hr/>
Total expenditures	\$ 2,671,593
	<hr/>

INDIRECT COST RATE

Indirect costs	\$ 144,207
Divided by direct salary costs	746,157
	<hr/>
Percentage	19.33%
	<hr/>

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Southeastern Utah Association of Local Governments
Price, Utah 84501

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of accounting procedures and internal control, in connection with our examination of the financial statements of Southeastern Utah Association of Local Governments, for the year ended June 30, 2006.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the system and procedures, this memorandum should not be considered all-inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

MISCELLANIOUS INTERNAL CONTROL ITEMS

During our audit, we observed that invoices and other disbursement documentation either could not be located or was difficult to locate. The cause of this problem appears to be (1) a lack of a clearly specified system for filing records and (2) employee carelessness. The result was that employees spent nonproductive time searching for needed documents. This condition could also present problems when documents are needed in support for reports subject to audit by us or other government agencies. We recommend that the following steps be taken.

- Create more individual vendor files rather than filing them in a miscellaneous folder.
- Employees should exercise greater care when filing invoices and other supporting documentation.

During our audit, we observed an excessive amount of voided checks. We understand that checks need to be voided occasionally, however it appears that the voiding of checks is happening on a regular basis.

We recommend that in the future, before checks are printed that all information is double checked before the check batch is run. This will help detect any errors before the checks are printed and therefore, will decrease the need to void checks.

Client's Response

We will review the auditors' recommendations and will make changes, if necessary.

SUMMARY

We feel the accounting procedures and internal control items mentioned above are areas where the Association can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data, promote operating efficiency and compliance with governmental regulations.

Sincerely,

SMUIN, RICH & MARSING

A handwritten signature in cursive script, reading "Armin Rich Marsing". The signature is written in dark ink and is positioned below the printed name "SMUIN, RICH & MARSING".

Price, Utah

March 12, 2007